

In Tax Year, Taxpayer entered into a contract to sell all of its assets in the pharmacy to Buyer for Purchase Price. Buyer paid \$x in cash immediately and issued a 15-year promissory note to Taxpayer for Deferred Amount. In preparing Taxpayer's tax return for Tax Year, Owner determined that Taxpayer would elect out of installment sale treatment by reporting the entire gain from the asset sale on Taxpayer's return for Tax Year.

Taxpayer now requests a ruling to permit a revocation of the election out of the installment method.

LAW AND ANALYSIS

Section 453(a) of the Code provides that a taxpayer shall report income from an installment sale under the installment method. However, § 453(d)(1) provides that the installment method will not apply to a disposition if the taxpayer elects to not have the installment method apply to such disposition.

Section 15A.453-1(d)(3)(i) of the Temporary Regulations provides that a taxpayer who reports an amount realized equal to the selling price including the full face amount of any installment obligation on the tax return filed for the taxable year in which an installment sale occurs will be considered to have made an effective election.

Section 453(d)(3) provides that a taxpayer who has elected out of the installment method may revoke that election only with the consent of the Secretary.

Section 15A.453-1(d)(4) provides that generally an election out is irrevocable. An election out may be revoked only with the consent of the Internal Revenue Service. A revocation, which is retroactive, will not be permitted when one of its purposes is the avoidance of federal income taxes, or when the taxable year in which any payment was received has closed.

In this case, Taxpayer has submitted factual information indicating that granting its request for a ruling will not result in the avoidance of federal income taxes. Moreover, none of the taxable years in which any affected payment was received is closed.

CONCLUSION

Based on the information submitted and the representations made, Taxpayer is granted permission to revoke its election out of the installment method for the Tax Year sale of the assets. Permission to revoke the election is granted for the period that ends 75 days after the date of this letter. Taxpayer must file an amended federal income tax return for Tax Year and any other previously-filed returns on which a portion of the gain from the sale is reportable under the installment method and attach this letter to such amended returns.

CAVEATS

Except as expressly provided above, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. No opinion is expressed or implied concerning Taxpayer's eligibility to use

the installment method under § 453 and the regulations thereunder and the amount of gain on the asset sale reported on the installment method.

The rulings contained in this letter are based upon information and representations submitted by the Taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the ruling request, it is subject to verification on examination.

You must attach a copy of this letter to any income tax return to which it is relevant. If you file your returns electronically, you may satisfy this requirement by attaching a statement to the returns that provide the date and the control number of this letter ruling.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Amy J. Pfalzgraf
Senior Counsel, Branch 5
Office of Chief Counsel
(Income Tax & Accounting)

cc: